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TOSHU 151

C O R R E C T E D C O P Y (OMISSION OF TOSHU 151)

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SUBJECT: SECRETARY DENT'S MEETING WITH DEPUTY PRIME
MINISTER TIMAR

REF: BUDAPEST 3288

1. SUMMARY. IN SECRETARY DENT'S 90- MINUTE MEETING WITH
DEPUTY PRIME MINISTER TIMAR PRESENT STATE OF HUNGARIAN
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ECONOMY, PROSPECTS FOR ITS FUTURE DEVELOPMENT AND POSSIBILITIES

FOR COOPERATION BETWEEN AMERICAN FIRMS AND HUNGARIAN ENTERPRISES WERE CHIEF ITEMS OF DISCUSSION. TIMAR INDICATED SATISFACTION WITH PRESENT ECONOMIC SITUATION AND EXPRESSED CONFIDENCE CONOMY WOULD CONTINUE FAVORABLE DEVELOPMENT UNDER NEM PREDICTING THAT REFORM'S SUCCESS WOULD ENCOURAGE SOME OF HUNGARY'S NEIGHBORS TO ADOPT SIMILAR REFORMS IN NOT TOO DISTANT FUTURE. HE FORESAW CONTINUED RAPID EXPANSION OF HUNGARIAN TRADE TIES WITH WEST AND EXPRESSED HOPE FUTURE TRADE WITH US WOULD CONSTITUTE A VERY SIGNIFICANT PART OF THEIR EXPECTED GROWTH. END SUMMARY.

2. TIMAR OPENED MEETING BY PROPOSING TO GIVE SECRETARY DENT AN OVERVIEW OF HUNGARIAN ECONOMIC SITUATION. HUNGARY'S PRESENT GROWTH RATE OF 6 PERCENT, HE EXPLAINED, PLACES HUNGARY IN MEDIUM CATEGORY. WHILE IT MIGHT BE POSSIBLE TO ACHIEVE HIGHER GROWTH RATE THROUGH FULLER UTILIZATION OF CERTAIN UNPROFITABLE SECTORS OF THE ECONOMY, GOVERNMENT PREFERRED TO HOLD DOWN PRODUCTION AND CONCENTRATE EFFORTS ON STRUCTURAL TRANSFORMATION OF ECONOMY. WHILE THIS SLOWED DOWN GROWTH, TIMAR BELIEVED IT TO BE HEALTHY POLICY.

3. THE DEPUTY PRIME MINISTER WAS PARTICULARLY HAPPY WITH RECENT TRENDS IN AGRICULTURE. LARGE INVESTMENTS FOR AGRICULTURE DEVELOPMENT MADE IN EARLY 1960'S WERE NOW BEGINNING TO BE REPAID THROUGH INCREASED AND MORE EFFICIENT PRODUCTION. WHILE TIMAR ALSO NOTED THAT SOME PROGRESS HAD BEEN ACHIEVED IN INDUSTRIAL FIELD, HE LEFT IMPLICATION THAT INDUSTRY FACING MORE PROBLEMS THAN AGRICULTURE.

4. TURNING TO FOREIGN TRADE, TIMAR STATED THAT SINCE ECONOMIC REFORM INTRODUCED IN 1968 EXPORTS HAVE INCREASED SHARPLY. BOTH EXPORTS AND IMPORTS TO CAPITALIST COUNTRIES HAVE RISEN FASTER THAN TO SOCIALIST COUNTRIES, A DEVELOPMENT WHICH HE CONSIDERED TO BE PROPER PHENOMENA, AS IT SHOWED INCREASED COMPETITIVENESS OF HUNGARIAN PRODUCTS. WHILE CURRENT HUNGARIAN TRADE IS 2/3 WITH SOCIALIST COUNTRIES AND 1/3 WITH NON-SOCIALIST WORLD, TIMAR LIMITED OFFICIAL USE

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EMPHASIZED THAT THERE IS NO STRICT RATIO WHICH HAS TO BE MAINTAINED. HE PREDICTED THAT HUNGARY'S TRADE WITH CAPITALIST COUNTRIES, WHICH LAST YEAR REGISTERED SMALL DEFICIT, WOULD BE IN BALANCE THIS YEAR AND STATED THAT FUTURE TREND IS TOWARDS A BALANCE.

5. TIMAR THEN LISTED THE TEN CENTRAL DEVELOPMENT PROGRAMS OFFERING COOPERATIVE POSSIBILITIES FOR US FIRMS. THE

FIRST OF THESE WAS PLAN TO CHANGE ENERGY STRUCTURE FROM HEAVY RELIANCE ON COAL TO GREATER USE OF OIL AND NATURAL GAS. THE OTHER PROGRAMS CITED WERE THE BAUXITE ALUMINUM DEVELOPMENT PROJECT, A MULTI-MILLION FORINT PETRO-CHEMICAL PROGRAM, THE EXPANSION OF BUS PRODUCTION, COMPUTER MANUFACTURES, REORGANIZATION OF THE TEXTILE INDUSTRY, HIGHWAY CONSTRUCTION AND TRANSPORT, AND ANIMAL BREEDING. THESE ARE PRINCIPAL LINES OF ECONOMIC DEVELOPMENT, TIMAR ASSERTED, AND THEY WILL REMAIN VALID FOR NEXT FIVE YEARS.

6. ON SUBJECT OF BILATERAL US-HUNGARIAN RELATIONS, TIMAR PRAISED POSITIVE TRENDS OF PAST FEW YEARS AND EXPRESSED OPINION THAT RELATIONS SHOULD DEVELOP EVEN MORE QUICKLY IN FUTURE. HE EXPRESSED OPINION THAT A TRADE AGREEMENT COULD PROVIDE MOMENTUM FOR DEVELOPMENT OF OUR TRADE AND SAID GOH WOULD LIKE TO CONCLUDE SUCH AN AGREEMENT AS SOON AS POSSIBLE. PRELIMINARY DISCUSSIONS ON MATTER HAVE BEEN DRAWN OUT BY USG, NOT GOH. FOLLOWING NORMALIZATION OF TRADE RELATIONS TRADE BETWEEN US AND HUNGARY COULD INCREASE TO 3 TO 4 TIMES CURRENT LEVELS.

7. IN CLOSING HIS REMARKS, TIMAR SAID THAT DEVELOPMENTS IN HUNGARY WORTH SPECIAL ATTENTION IN UNITED STATES BECAUSE OF ITS NEW AND UNIQUE FEATURES. OTHER SOCIALIST COUNTRIES, PARTICULARLY CZECHOSLOVAKIA AND POLAND, ARE STUDYING HUNGARIAN ECONOMY AND IT PROBABLE THAT FEATURES MORE OR LESS SIMILAR THESE ADOPTED HERE WILL BE EMPLOYED ELSEWHERE.

8. IN REPLYING TO TIMAR'S COMMENTS, SECRETARY DENT SAID THAT IT WAS CLEAR THAT THERE WERE MANY POSSIBILITIES FOR JOINT COOPERATION. ONE PARTICULARLY PROMISING AREA WHICH CAME TO MIND WAS THE FIELD OF ENERGY. THE SECRETARY THEN MENTIONED THE ADMINISTRATIONS'S STRONG SUPPORT FOR PROPOSALS LIMITED OFFICIAL USE

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WHICH WOULD MAKE MFN FOR HUNGARY POSSIBLE, BUT CAUTIONED THAT FINAL LEGISLATIVE ACTION ON THESE PRIOR TO EARLY 1974 UNLIKELY. ON MATTER BUSINESS FACILITIES SECRETARY STRESSED IMPORTANCE OF PERMITTING US COMPANIES TO DO BUSINESS IN HUNGARY AS THEY ARE USED TO ELSEWHERE, WITH WELL EQUIPPED OFFICES AND DIRECT CONTACT TO END USERS. IN CONCLUSION HE PROMISED TO PASS SUBSTANCE OF TIMAR'S REMARKS REGARDING HUNGARIAN ECONOMY AND TRADE POSSIBILITIES TO LEADING US BUSINESSMEN AFTER RETURNING HOME.

9. COMMENT: TIMAR, LIKE OTHER HUNGARIAN OFFICIALS SECRETARY MET, CLEARLY BELIEVES THAT SUBSTANTIAL EXPANSION OF HUNGARIAN TRADE WITH WEST POSSIBLE AND DESIRABLE. HIS STATEMENT THAT NO QUOTAS EXIST FOR TRADE WITH NON-SOCIALIST AREAS WAS PARTICULARLY INTERESTING AND INDICATIVE

OF POSSIBLE FUTURE CHANGES AS TRADE WITH US AND JAPAN
INCREASES. ON DOMESTIC SIDE TIMAR QUIE CONFIDENT REGARDING
PROPECTS FOR HUNGARIAN ECONOMY, AND SEEMED TO HAVE LITTLE
DOUBT THAT NEM IS HERE TO STAY.

10. PERSONALLY, TIMAR IS PLEASANT AND OBVIOUSLY INTELLIGENT
MAN. ALTHOUGH HE LACKED GRACE AND SMOOTHNESS OF
VALYI AND APPEARED SLIGHTLY AWKWARD AT TIMES, THIS PERHAPS
DUE TO HIS RELATIVE INEXPERIENCE IN DEALING WITH WESTERN
OFFICIALS. HE DOES NOT SPEAK ENGLISH.
PEDERSON

UNQTE PORTER

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